

UINTAH HIGHLANDS IMPROVEMENT DISTRICT

FINANCIAL STATEMENTS

DECEMBER 31, 2005

UINTAH HIGHLANDS IMPROVEMENT DISTRICT

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Davis, Chase & Associates, P.C.

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Honorable Board of Trustees
Uintah Highlands Improvement District
Ogden, Utah

We have audited the accompanying financial statements of the Uintah Highlands Improvement District as of and for the year ended December 31, 2005, which collectively comprise the District's financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Uintah Highlands Improvement District at December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements.

INDEPENDENT AUDITOR'S REPORT

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In accordance with Government Auditing Standards, we have also issued our report dated June 7, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract, grants and other matters. The purpose of that report is to describe the scope of our testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 5 are not a required part of the financial statements, but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Davis, Chase & Associates

June 7, 2006

UINTAH HIGHLANDS IMPROVEMENT DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDING DECEMBER 31, 2005

INTRODUCTION

The following is a discussion and analysis of Uintah Highlands Improvement District's financial performance and activities for the year ending December 31, 2005.

HIGHLIGHTS

Uintah Highlands Improvement District increased its connections by twelve during 2005. Two of the new connections were commercial connections. Our infrastructure increased by \$54,014 for the improvements to the springs, and for preliminary engineering plans for a new 1,000,000 gallon reservoir.

During 2005, the District maintained a strong revenue base by collecting sufficient fees and taxes to cover expenses. Impact fees have been used to pay our revenue bonds and will be used for capital improvements when bonds are paid.

The District continues to comply with all requirements mandated by local, state and federal governments. This includes monitoring and testing as well as conservation plans, protection plans, emergency plans, etc. The State Division of Drinking Water performs an audit or "IPS" periodically and our system passed all requirements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the District's Basic Financial Statements. The District's financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States, promulgated by the Government Accounting Standards Board. The District reports as a single enterprise fund. Revenues are recognized when earned and expenses are recognized in the period in which they are incurred. See the notes to the financial statements for a summary of the District's significant accounting policies.

The District's financial statements are comprised of three basic statements. The Statement of Net Assets shows the overall net assets of the District. Increases and decreases in net assets are one indicator of the District's overall financial condition. The Statement of Revenues, Expenses, and Changes in Fund Net Assets identify functions of the District that are intended to recover all or most of their costs primarily through user fees and charges (business-type activities). The Statement of Cash Flows reports cash flows in four categories or activities - operating, capital and related financing, non-capital financing and investing.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets

The largest component of the District's net assets, 92.52%, reflects investments in capital assets (land, buildings, equipment, and infrastructure) less all outstanding debt that was issued to buy or build those assets. As capital assets, these resources are not available for future spending, nor can they all be readily liquidated to pay off the related liabilities.

Management's Discussion and Analysis

Restricted net assets comprise 4.54% of total net assets and are subject to external restrictions on how they may be used. The remaining 2.94% of net assets is unrestricted and may be used at the District's discretion to meet its ongoing obligations to citizens and creditors.

Business-Type Activities

The business-type activities are summarized as follows:

	2005	2004
Assets		
Current and other assets	\$ 329,615	\$ 243,694
Restricted assets	213,201	269,137
Capital assets - net of depreciation	5,118,708	5,258,289
Total assets	5,661,524	5,771,120
Liabilities		
Current liabilities	190,338	300,618
Non-current liabilities	770,784	889,823
Total liabilities	961,122	1,190,441
Net Assets		
Invested in capital assets net of related debt	4,348,889	4,257,789
Restricted for debt retirement	213,201	269,137
Unrestricted	138,312	53,753
Total net assets	\$ 4,700,402	\$ 4,580,679

Changes in Net Assets

The Net Assets in the Enterprise Fund increased by \$119,723.

	2005	2004
Revenues		
Operating revenue	\$ 554,386	\$ 549,670
Operating expenses	541,640	553,933
Operating income (loss)	12,746	(4,263)
Non-operating revenues	143,378	190,782
Non-operating expenses	(36,401)	(45,922)
Net income before capital contributions	119,723	140,597
Capital contributions	-	399,729
Change in net assets	119,723	540,326
Net assets - beginning	4,580,679	4,040,353
Net assets - ending	\$ 4,700,402	\$ 4,580,679

Management's Discussion and Analysis

Capital Assets

Uintah Highlands Improvement District added \$54,014 in new capital assets during the fiscal year. The major items were improvements to the springs (\$36,559) and preliminary engineering (\$16,732) for construction of a new 1,000,000 gallon reservoir.

Long-Term Debt

The District currently owes \$769,819 in sewer revenue bond obligations. The proceeds from the bonds were used to finance the District's construction of improvements to the sewer systems. \$119,035 of the debt will be paid in the current year with \$650,784 remaining in long-term debt. The District reduced long-term debt by \$230,681 in the current year.

ADDITIONAL INFORMATION

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of Uintah Highlands Improvement District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or any other matters related to the District's finances should be addressed to Uintah Highlands Improvement District, 2401 East 6175 South, Ogden, Utah 84403.

UINTAH HIGHLANDS IMPROVEMENT DISTRICT

STATEMENT OF NET ASSETS PROPRIETARY FUNDS

DECEMBER 31, 2005

Business-Type Activities - Enterprise Funds

ASSETS

Current assets:

Cash and cash equivalents	\$ 282,256
Accounts receivable	45,487
Property tax receivable	1,872
Total current assets	<u>329,615</u>

Noncurrent assets:

Restricted cash and cash equivalents	213,201
Fixed assets	7,963,059
Less: Accumulated depreciation	<u>(2,844,351)</u>
Total noncurrent assets	<u>5,331,909</u>
Total assets	<u>5,661,524</u>

LIABILITIES

Current liabilities:

Accounts payable	6,541
Other payables	4,047
Deferred revenue	60,715
Revenue bonds - current	119,035
Total current liabilities	<u>190,338</u>

Noncurrent liabilities:

Other liabilities	120,000
Revenue bonds	650,784
Total noncurrent liabilities:	<u>770,784</u>
Total liabilities	<u>961,122</u>

NET ASSETS

Invested in capital assets, net of related debt	4,348,889
Restricted-debt retirement	213,201
Unrestricted	138,312
Total net assets	<u>\$ 4,700,402</u>

The accompanying notes are an integral part of these statements.

UTAH HIGHLANDS IMPROVEMENT DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2005

	Business-Type Activities - Enterprise
<u>OPERATING REVENUE</u>	
Water sales	\$ 264,419
Water connection fees	4,189
Sewer fees	275,194
Sewer connection fees	384
Other fees	10,200
Total operating revenue	<u>554,386</u>
<u>OPERATING EXPENSES</u>	
Depreciation	193,595
Salaries and wages	127,533
Sewage treatment	49,359
Insurance and surety bonds	35,953
Water purchased	31,338
Repairs and maintenance	22,306
Office expense	19,075
Pumping	16,232
Operating supplies	11,926
Payroll taxes	11,618
Professional fees	10,428
Travel and auto	6,994
Telemetering	5,283
Total operating expenses	<u>541,640</u>
Operating income (loss)	<u>12,746</u>
<u>NONOPERATING REVENUE (EXPENSES)</u>	
Property taxes	58,123
Fees-in-lieu of taxes	7,140
Interest income	18,718
Water impact fees	36,397
Sewer impact fees	23,000
Interest expense and bond fees	(36,401)
Total nonoperating revenue (expenses)	<u>106,977</u>
Net income (loss) before contributions	119,723
Capital contributions	<u>-</u>
Change in net assets	119,723
Net assets - beginning	<u>4,580,679</u>
Net assets - ending	<u><u>\$ 4,700,402</u></u>

The accompanying notes are an integral part of these statements.

UTAH HIGHLANDS IMPROVEMENT DISTRICT
 STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2005

	Business-Type Activities - Enterprise
Cash Flows From Operating Activities	
Receipts from customers	\$ 557,292
Payments to suppliers	(213,457)
Payments to employees	(127,533)
Net cash provided (used) by operating activities	<u>216,302</u>
Cash Flows From Noncapital Financing Activities	
Receipts from property taxes	<u>63,846</u>
Net cash provided (used) by noncapital financing activities	<u>63,846</u>
Cash Flows From Capital and Related Financing Activities	
Impact fees	59,397
Principal paid on capital debt	(230,681)
Interest paid on capital debt	(36,401)
Purchases of capital assets	(54,015)
Net cash provided (used) by capital and related financing activities	<u>(261,700)</u>
Cash Flows From Investing Activities	
Interest and dividends received	<u>18,718</u>
Net cash provided (used) by investing activities	<u>18,718</u>
Net increase (decrease) in cash and cash equivalents	37,166
Cash and cash equivalents - beginning	<u>458,291</u>
Cash and cash equivalents - ending	<u><u>\$ 495,457</u></u>

The accompanying notes are an integral part of these statements.

UTAH HIGHLANDS IMPROVEMENT DISTRICT
 STATEMENT OF CASH FLOWS (CONTINUED)
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2005

	Business-Type Activities - <u>Enterprise</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ 12,746
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	193,595
(Increase) decrease in prepaid expense	1,145
(Increase) decrease in accounts receivable	2,906
Increase (decrease) in accounts payable	<u>5,910</u>
Net cash provided (used) by operating activities	<u><u>\$ 216,302</u></u>

Noncash Capital Financing Activities:

Capital assets of \$-0- were acquired through
contributions from developers.

The accompanying notes are an integral part of these statements.

UINTAH HIGHLANDS IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Uintah Highlands Improvement District, Utah conform in all material respects to generally accepted accounting principles (GAAP) as applicable to governments. The District has adopted the provisions of the Governmental Accounting Standards Board (GASB). Preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements.

The following is a summary of the more significant policies and is presented to assist the reader in interpreting the financial statements and other data in this report. These policies, as presented, should be viewed as an integral part of the accompanying financial statements.

A. Reporting Entity

The Uintah Highlands Improvement District is a special district organized on November 3, 1966, by the Weber County Commission for the purpose of providing primary and secondary water, sewer and storm drain operations. The District operates under a Board of Trustees form of government.

The criteria set forth by generally accepted accounting principles (GAAP) was used to determine which entities to include in this report. GASB Concepts Statement-1 (Objectives of Financial Reporting) concludes that the basic foundation for governmental financial reporting is accountability. The Concepts Statement asserts that accountability requires governments to answer to the citizenry - to justify the raising of public resources and the purposes for which they are used. In turn, the concept of accountability becomes the basis for defining the financial reporting entity. Under GASB-14 (The Financial Reporting Entity) the financial reporting entity consists of the primary government.

The District has no component units.

B. Fund Financial Statements

The financial transactions of the District are recorded in an individual fund. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is used to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

The District reports the following major proprietary fund:

Enterprise Fund The fund is used to account for primary and secondary water, sewer, and storm drain operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

C. Measurement Focus and Basis of Accounting

The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the related liability is incurred, regardless of the timing of the cash flows. Taxes and fees are recognized in the year in which the related sales or other activity has occurred. Grants and similar items are recognized as revenue when all eligibility requirements have been met. When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, the District generally uses restricted resources first, then unrestricted resources.

UINTAH HIGHLANDS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Proprietary funds separate operating and non-operating revenues and expenses. Operating revenues and expenses normally arise from providing goods and services in connection with the fund's normal ongoing operations. The principal sources of operating revenues for the proprietary funds are charges to customers for goods and services. Operating expenses include the cost of sales and services, administrative overhead expenses and depreciation on capital assets. All other revenues or expenses are recorded as non-operating.

The District has adopted GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*. Accordingly, the District has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) Opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Consequently, the District does not apply FASB pronouncements issued after November 30, 1989.

D. Assets, Liabilities, and Fund Balances/Net Assets

The following are the District's significant policies regarding recognition and reporting of certain assets, liabilities, and equity.

Pooled Cash and Temporary Investments

Unrestricted and restricted cash balances of both funds are combined to form a pool of cash which is managed by the District Treasurer. Utah State Statutes allow for investments in the Utah Public Treasurer's Investment Fund and Utah Money Management Act (UMMA) approved financial institutions. The UMMA provides for a committee to evaluate financial institutions and provide a list of those qualified as depositories for public funds, including the amount they are authorized to maintain over and above insured amounts. The District Treasurer invests unrestricted and restricted cash with the Utah Public Treasurer's Investment Fund and with local financial institutions. Investments in the pooled cash fund consist primarily of certificates of deposit, repurchase agreements, and time deposits and are carried at cost which approximates market value. Interest income earned as a result of pooling is distributed to the appropriate funds based on month end balances of cash. The District considers all highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

Inventories

No significant inventories are maintained by the District, therefore none are reflected in these statements.

Restricted Assets

Certain resources set aside as reserves in accordance with District resolutions and State statutes are classified as restricted assets on the statement of net assets because their use is limited.

Capital Assets

All purchased fixed assets are valued at cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Capital assets are defined as assets with an initial, individual cost of more than \$5,000.

UINTAH HIGHLANDS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Fund Balances/Net Assets (Continued)

Capital Assets (Continued)

Infrastructure capital assets which are newly constructed or contributed are capitalized.

Depreciation of all exhaustible capital assets is charged as an expense in the related program. Accumulated depreciation is reported on the Statement of Net Assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	30-50 years	Equipment	5-10 years
Improvements	10-50 years	Infrastructure	25-40 years

Long-term Obligations

In the proprietary fund financial statements, long-term debt obligations are reported as liabilities.

Net Assets/Fund Balances

The difference between assets and liabilities is *net assets* on the fund financial statements.

E. Revenues and Expenditures

The following are the District's significant policies related to recognition and reporting of certain revenues, and expenditures.

Revenue Availability

Statement of Governmental Accounting Standards (SGAS) No. 33, Accounting and Financial Reporting for Non-exchange Transactions, defines a non-exchange transaction as one in which "a government either gives value to another party without directly receiving equal value in exchange or receives value from another party without directly giving equal value in exchange." For property taxes, at January 1 of each year (the assessment date), the District has the legal right to collect the taxes, and in accordance with the provisions of the new statement, has now recorded a receivable and a corresponding deferred revenue for the assessed amount of those property taxes as of January 1, 2005.

Expenditure Recognition

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, the District generally uses restricted resources first, then unrestricted resources.

F. Contributions

Certain proprietary fund types receive contributions for aid in construction from various sources. With the adoption of GASB No. 33, these contributions that were formerly credited directly to contributed capital accounts are now reflected as non-operating revenue.

G. Compensated Absences

District policy provides for vested or accumulated vacation leave. The liability for compensated absences is not reflected in these financial statements because it is not a material amount.

UINTAH HIGHLANDS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Use of Estimates

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

A. Deposits

Cash deposits are reported at carrying amount which reasonably estimates fair value. At the year end, the carrying amount of the District's deposits was \$128,043 and the bank balance was \$302,571. Of the bank balance \$213,648 was fully covered by federal depository insurance.

B. Investments

At year-end investments consist of funds in the Utah Public Treasurers Investment Fund. This investment is administered by the State of Utah and is regulated by the Money Management Council under provisions of the Utah State Money Management Act. The investment is not categorized as to credit risk because it does not represent a security that exists in physical or book entry form. Investments are carried at cost which approximates their fair value.

Investments not subject to categorizations:

	Carrying Amount	Market Value
Utah Public Treasurer's Investment Fund	\$ 367,114	\$ 366,954

C. Summary

	Carrying Amount
Petty cash	\$ 300
Deposits	128,043
Investment in Utah Public Treasurer's Investment Fund	367,114
Total deposits and investments	\$ 495,457
Equity in pooled cash and investments	\$ 282,256
Restricted cash - Bond reserves	213,201
Total deposits and investments	\$ 495,457

Deposit and Investment Risk Disclosure. Deposits and investments for Uintah Highlands Improvement District are governed by the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the District's exposure to various risks related to its cash management activities.

UINTAH HIGHLANDS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits . Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be recovered. The District's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of District funds to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commission of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

The District's deposits in the bank in excess of the insured amount are uninsured and are not collateralized, nor do state statutes require them to be. The District's deposits at December 31, 2005, were \$302,571, of which \$213,648 was insured under federal depository insurance.

Credit risk . Credit risk is the risk that the counterparty to an investment transaction will not fulfill its obligations. The District's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations; and shares in a money market fund as defined in the Act.

The District is also authorized to invest in the Utah Public Treasurer's Investment Fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

For the year ended December 31, 2005, the local government had investments of \$367,114 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

Interest rate risk . Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The District manages its exposure by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Concentration of credit risk . Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's policy to limit this risk is to adhere to the rules of the Money Management Act.

UINTAH HIGHLANDS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

NOTE 3 - CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2005, was as follows:

BUSINESS-TYPE ACTIVITIES	Balance December 31, 2004	Additions	(Deletions)	Balance December 31, 2005
Nondepreciated Assets				
Water spring rights	\$ 100,000	\$ -	\$ -	\$ 100,000
Land	62,124	-	-	62,124
Construction in progress	-	16,732	-	16,732
Total nondepreciated assets	162,124	16,732	-	178,856
Depreciated Assets				
Buildings	157,148	-	-	157,148
Secondary water	17,076	-	-	17,076
Water storage	702,280	-	-	702,280
Water system	2,648,180	-	-	2,648,180
Springs and collection	190,420	36,559	-	226,979
Sewer system	3,704,431	-	-	3,704,431
Wells and appurtenances	213,595	-	-	213,595
Shop equipment	31,508	-	(993)	30,515
Vehicles	32,840	-	-	32,840
Office equipment	50,436	723	-	51,159
Total depreciated assets	7,747,914	37,282	(993)	7,784,203
Less accumulated depreciation				
Buildings	(43,456)	(6,306)	-	(49,762)
Secondary water	(7,311)	(661)	-	(7,972)
Water storage	(211,880)	(16,986)	-	(228,866)
Water system	(879,332)	(70,186)	-	(949,518)
Springs and collection	(135,394)	(8,023)	-	(143,417)
Sewer system	(1,212,135)	(77,865)	-	(1,290,000)
Wells and appurtenances	(93,440)	(5,428)	-	(98,868)
Shop equipment	(20,028)	(2,517)	993	(21,552)
Vehicles	(5,567)	(3,134)	-	(8,701)
Office equipment	(43,206)	(2,489)	-	(45,695)
Total accumulated depreciation	(2,651,749)	(193,595)	993	(2,844,351)
Net assets depreciated	5,096,165	(156,313)	-	4,939,852
Business type activities - net	\$ 5,258,289	\$ (139,581)	\$ -	\$ 5,118,708
Depreciation Expense				
December 31, 2005		\$ 193,595		

UINTAH HIGHLANDS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

NOTE 4 - LONG-TERM DEBT

Long-term liability activity for the year ended December 31, 2005, was as follows:

Description	Interest Rate	Outstanding 12/31/2004	Additions (Reductions)	Outstanding 12/31/2005	Current Portion
\$2,475,000 Sewer Revenue Bond					
Series December 12, 1986	3.0%	\$ 885,391	\$ (115,572)	\$ 769,819	\$ 119,035
\$555,000 Water Revenue Bond					
Series October 31, 1996	5.55%	70,000	(70,000)	-	-
Lease Purchase Agreement	6.1%	45,109	(45,109)	-	-
Total Long Term Debt		<u>\$ 1,000,500</u>	<u>\$ (230,681)</u>	<u>\$ 769,819</u>	<u>\$ 119,035</u>

Revenue Bonds Payable

The District's long-term bonds payable at December 31, 2005 consist of the following:

Annual requirements to amortize the long-term bond debts as of December 31, 2005 are as follows:

Fiscal Year Ended December 31,	Sewer Revenue Bond Series December 12, 1986	
	Principal	Interest
2006	\$ *	\$ *
2007	119,035	23,099
2008	122,606	19,528
2009	126,284	15,850
2010	130,073	12,061
2011	133,975	8,159
2012	137,846	4,140
	<u>\$ 769,819</u>	<u>\$ 82,837</u>

* The January 1, 2006 payment was made December 28, 2005.

NOTE 5 - OTHER LIABILITIES

Uintah Highlands entered into an agreement with South Ogden City to pay for the transmission of sewage through the South Ogden system. The wheeling charge will accrue at \$6,000 per year without interest to a maximum of \$120,000. The wheeling charge began accruing upon completion of the sewage system during 1988 and the payment is deferred for twenty years or until the sewer revenue bonds are paid in full. In the event the District is annexed to South Ogden the wheeling charge must be paid in full.

UINTAH HIGHLANDS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

NOTE 6 - BOND RESERVES

The Series 1986 Sewer Revenue Bonds issuance provides for the establishment of the following reserves:

- 1) On or before the 10th day of each month, the District is required to reserve one-twelfth (1/12) of the principal and interest falling due on the next succeeding January 1st in a Bond Sinking Fund account. As the bond's principal and interest payment for January 1, 2006 was made on December 28, 2005, the balance in this account at December 31, 2005, was \$0.
- 2) The District is required to reserve \$1,974 monthly plus such additional amount as may be required to meet any monthly installments until such time as the aggregate reserve equals \$142,134. This Bond Reserve account shall be used to make principal and interest payments should there not be sufficient money in the Bond Sinking Fund account. The balance in this account at December 31, 2005, was \$142,134.
- 3) The District is required to reserve \$987 monthly until such time as the aggregate reserve equals \$71,067, to provide for the continued operation and maintenance of the sewer system in an Emergency Operations and Maintenance account. The balance in this account at December 31, 2005, was \$71,067.

Total bond reserve balances at December 31, 2005, was \$213,201.

NOTE 7 - RISK MANAGEMENT

Uintah Highlands Improvement District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. The District maintains comprehensive insurance coverage in aggregate amounts sufficient to protect against all reasonably foreseeable liability risks. Specific liability policies purchased include automobile, general liability, property, bond (employee dishonesty), treasurer, public officials and officers, excess liability, and workman's compensation. As of December 31, 2005, there is no anticipation of unpaid claims. Therefore, a liability is not accrued. Settlement amounts have not exceeded coverage for the current year or the three prior years.

NOTE 8 - LEGAL COMPLIANCE BUDGETS

The budget for the fiscal year ending December 31, 2005, was approved and adopted by resolution or ordinance dated December 14, 2004. A public hearing, meeting the requirements specified in the Utah Code 11-35-113/114, was held on December 14, 2004. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the enterprise fund. All annual appropriations lapse at fiscal year end. Encumbrance accounting is not used by the District.

NOTE 9 - RESTRICTED NET ASSETS

Reserved for Debt Retirement - This represents required bond reserves for revenue bonds outstanding.

NOTE 10 - POST-EMPLOYMENT BENEFITS

The District does not provide any post employment benefits at the present time.

UINTAH HIGHLANDS IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

NOTE 11 - EMPLOYEE RETIREMENT SYSTEM

The District does not participate in or maintain any retirement plans for its employees.

NOTE 12 - INTEREST EXPENSE

The proprietary fund incurred \$36,401 in interest expense of which \$36,401 was charged to expense and \$-0- was capitalized.

NOTE 13 - PROPERTY TAX CALENDAR

Lien date	Jan. 1
Taxing districts notify the county of date, time and place of public hearing	Mar. 1
County auditor sends valuation certified tax rate and levy worksheets to each taxing district	Jun. 8
Taxing district must adopt a proposed tax rate, certify the rate and levy, and submit it to the county auditor	Before Jun. 22
Taxing district adopts a final tax rate if there is no increase in the certified tax rate	Jun. 22
Due date for property taxes	Nov. 30
Taxing district adopts the final budget prior to beginning of the ensuing year	
Copy of the budget is submitted to the state auditor within 30 days of its adoption	

NOTE 14 - SUBSEQUENT EVENT

On April 17, 2006, Uintah Highlands Improvement District passed a resolution finalizing the terms and conditions of the issuance and sale of \$2,000,000 Water Revenue Bonds Series 2006A for the purpose of upgrading, acquisition, and construction of certain capital improvements and additions to the system.

UINTAH HIGHLANDS IMPROVEMENT DISTRICT

AUDITOR'S REPORTS

DECEMBER 31, 2005

Davis, Chase & Associates, P.C.

Certified Public Accountants

Steven J. Davis, CPA, CFP®, PFS

Tarina Chase, CPA

Ann Singleton, CPA

INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

Honorable Board of Trustees
Uintah Highlands Improvement District
Ogden, Utah

We have audited the financial statements of the Uintah Highlands Improvement District, for the year ended December 31, 2005, and have issued our report thereon dated June 7, 2006. Our audit included testwork on the District's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt	Budgetary Compliance
Cash Management	Property Tax
Purchasing Requirements	Special District Compliance Items
Impact fees	Other Compliance Requirements

The District did not receive any major or nonmajor State grants during the year ended December 31, 2005.

The management of the Uintah Highlands Improvement District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

INDEPENDENT AUDITOR'S REPORT ON
STATE LEGAL COMPLIANCE

Page 2

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, the Uintah Highlands Improvement District, complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2005.

Davis, Chase & Associates

June 7, 2006

UINTAH HIGHLANDS IMPROVEMENT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-STATE LEGAL COMPLIANCE
DECEMBER 31, 2005

There were no findings and questioned costs for the year ended December 31, 2005.

UINTAH HIGHLANDS IMPROVEMENT DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS-
STATE LEGAL COMPLIANCE

DECEMBER 31, 2005

There were no findings and questioned costs for the year ended December 31, 2004.

Davis, Chase & Associates, P.C.

Certified Public Accountants

Steven J. Davis, CPA, CFP®, PFS

Tarina Chase, CPA

Ann Singleton, CPA

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Uintah Highlands Improvement District
Ogden, Utah

We have audited the financial statements of the Uintah Highlands Improvement District, as of and for the year ended December 31, 2005, and have issued our report thereon dated June 7, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Uintah Highlands Improvement District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Uintah Highlands Improvement District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over the financial reporting and its operation that we consider to be material weaknesses.

REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
PAGE 2

This report is intended solely for the information of the audit committee, legislative body, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Davis, Chase & Associates

June 7, 2006